

AB 1058 (BEALL AND FUENTES)

CALWORKS: ASSET BUILDING FOR WORKING FAMILIES

AS INTRODUCED- FEBRUARY 27, 2009

SUMMARY

This legislation seeks to help CalWORKs families build the necessary assets for them to stabilize their personal financial situation by maintaining a reliable car and sufficient savings in order to become self-reliant and end their dependence on government assistance.

To accomplish this, AB 1058 would eliminate or modify the following CalWORKs state eligibility rules:

- Eliminate the requirement that each family have a vehicle worth no more than \$4,650.¹
- Eliminate the requirement that recipients have no more than \$2,000 cash.²
- Increase, from \$2,000 to \$7,000, the requirement that applicants have no more than \$2,000 cash, and adjusts it annually according to the CA Necessities Index.³
- Delete other asset test-related code sections that would now be irrelevant under the changes in this bill (as identified by Legislative Counsel).⁴

BACKGROUND

The Temporary Assistance for Needy Families (TANF) was created by a massive bi-partisan federal Welfare Reform effort in 1996⁵. The intent was to get needy families with children from welfare to work and end the welfare entitlement program as we knew it. The four stated goals of the TANF legislation are to:

- 1) End a needy family's dependence on government assistance by preparing them for a job and marriage;
- 2) Help families so that children are cared for in their own homes or in those of relatives;

- 3) Prevent out-of-wedlock pregnancies; and
- 4) Encourage the formation of two-parent families.

Thirteen years later after welfare reform, it is clear that many families are still struggling to move from welfare to work due to specific barriers built into the California Work Opportunity and Responsibility to Kids program (CalWORKs), the TANF program as it is known in this state.

In the 1980s and 90s, the federal government started to shift program and financial responsibility to states, in large part to reduce federal spending for open-ended programs (i.e. entitlements). TANF allowed states the flexibility to continue and to start programs that had previously required federal waivers, but also capped federal spending on welfare by creating fixed funding in the form of block grants for each state. This shift allowed California to customize its program to fit the varying needs of its needy family population while adhering to the federal statutory and regulatory requirements.

In particular, TANF allowed significant state flexibility on eligibility rules for families applying to CalWORKs for cash and employment assistance. Although, states were required to use 'objective criteria' for determining eligibility and benefits.

Specifically, states can decide the income level and property or asset levels that an applicant or recipient must meet in order to be eligible. In California, an applicant and recipient, both, must have a vehicle worth no more than \$4,650, and cash on hand of no more than \$2,000. The "vehicle test" as it is known was last changed thirteen years ago⁶, and the resource test in 1985⁷, twenty-four years ago.

In 2009 dollars, the \$2,000 resource limit adjusted for inflation would be \$4,000⁸, and the \$4,650 vehicle limit would be \$6,300⁹.

¹ See Section 2 of the bill

² See Section 8(a)

³ See Section 8(b)

⁴ See Sections 3 through 7 inclusive

⁵ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-193, 104th Congress (22 August 1996)

Last updated: March 17, 2009

⁶ PRWORA, Public Law 104-193, 104th Congress (22 August 1996)

⁷ 1985 Food Security Act, 7 U.S.C. 2014

⁸ Bureau of Labor Statistics inflation calculator

PROBLEM

While asset limits seem to logically ensure that the CalWORKs program is serving those truly in need, in some instances this is actually illogical.

The asset tests serve as a gatekeeper to benefits---ensuring that those with sufficient resources are not inappropriately taking advantage of scarce public funds and services. However, applicants and recipients should be treated differently when it comes to determining (i.e. at application) and redetermining (i.e. quarterly reporting by recipients to ensure that they are still eligible) eligibility.

Eliminating the \$2,000 resource test for recipients

Once an applicant has applied and been approved for the CalWORKs program, the state has verified that this family has met the eligibility rules and is sufficiently needy. After the first quarter, the applicant then becomes a recipient. At this point, for the state to continue to insist, every quarter for five years, that this family have an unreliable car and almost no savings is to ensure that they remain needy. Having less than \$2,000 in the bank and a car worth less than \$4,650 is a recipe for financial instability and a life of living on the edge of bankruptcy or homelessness. This is illogical and goes counter to the self-reliance goal of CalWORKs.

Increasing the \$2,000 resource test for applicants

For applicants, the resource test should be increased to reflect the current day fiscal realities. Two-thousand dollars is too low of a threshold for savings. The personal financial planning industry standard for savings for every family is three to six months worth of gross income. At the \$2,000 level that is maybe one month.

It takes years to accrue savings and a very short time to spend it down. It should not be the state's policy to encourage spending down a person's savings to such a low point. The state's policy should be to encourage asset building by setting appropriate limits and eliminating others that do not serve families trying to become self-reliant.

Eliminate Vehicle Test

As mentioned in the background section, if you want to be eligible for CalWORKs, your vehicle cannot be worth more than \$4,650. To illustrate how low this threshold is, a search for a used vehicle in the Kelley Blue Book¹⁰, one would find that for a car worth \$5,000 and less, would only allow you to search cars made no earlier than 2003—six years ago. That car may not be that

reliable?

California is 47th out of 50 states for the most restrictive vehicle test¹¹.

- Twelve states exclude all vehicles owned by the household;
- Fifteen exclude at least one vehicle per household; and
- Twenty have substantially increased the value of the vehicle exclusion.

Transportation is one of the primary barriers for needy families who are looking for jobs. Without reliable transportation, getting from welfare to work is very difficult.

PRIOR OR SIMILAR LEGISLATION

AB 2368 (Fuentes) 2007-2008 would have eliminated the vehicle asset test in the CalWORKs program.

AB 167 (Bass) 2007-2008 would have eliminated the resource test for both applicants and recipients in the CalWORKs program.

AB 2480 (S. Runner), would have amended the CalWORKs eligibility vehicle asset limit by adding leased vehicles to the list of countable resources.

AB 2466 (Daucher and Arambula), Chapter 781, Statutes of 2006 excluded funds in specified retirement and educational accounts authorized under federal law from being considered as income or resources for purposes of CalWORKs benefits for current recipients, not for new applicants. In addition, it added financial management education as an allowable welfare-to-work activity for adults receiving CalWORKs benefits.

AB 1078 (Lieber), Chapter 622, Statutes of 2007, in addition to Earned Income Tax Credit (EITC) awareness provisions, excluded funds in specified retirement and educational accounts authorized under federal law from being considered as income or resources for purposes of CalWORKs benefits for applicants.

SPONSORS/SUPPORTERS

Catholic Charities of CA (co-sponsor)
New America Foundation (co-sponsor)

⁹ Ibid.

¹⁰ Kelley Blue Book is the unofficial industry standard for persons searching for new and used car values. <http://www.kbb.com/>

¹¹ <http://www.nccp.org/tools/table.php?states=&submit=Create+Table&ids%5B%5D=12-242&db=pol&data=text>

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